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Counsel for Plaintiff Claudia S. White

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CLAUDIA S. WHITE, Individually and
On Behalf of All Others Similarly
Situating,

Plaintiff,

v.

QUESTCOR PHARMACEUTICALS,
INC., DON M. BAILEY, MICHAEL H.
MULROY, STEPHEN L. CARTT and
DAVID YOUNG

Defendants.

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

12 OCT - 3 PM 4:04

FILED

Case No. **SACV12 1708 Doc (ANX)**

CLASS ACTION COMPLAINT

**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

JURY TRIAL DEMANDED

1 Plaintiff, Claudia S. White (“Plaintiff”), alleges the following based upon the
2 investigation of Plaintiff’s counsel, which included, among other things, a review of
3 Defendants’ public documents, conference calls and announcements, United States
4 Securities and Exchange Commission (“SEC”) filings, wire and press releases
5 published by and regarding Questcor Pharmaceuticals, Inc. (“Questcor” or the
6 “Company”) and securities analysts’ reports and advisories about the Company.
7 Plaintiff believes that substantial additional evidentiary support will exist for the
8 allegations set forth herein after a reasonable opportunity for discovery.

9 **NATURE OF THE ACTION AND OVERVIEW**

10 1. This is a federal class action on behalf of persons who purchased or
11 otherwise acquired Questcor securities between April 26, 2011 and September 21,
12 2012, inclusive (the “Class Period”), seeking to pursue remedies under the
13 Securities Exchange Act of 1934 (the “Exchange Act”).

14 2. Questcor is a biopharmaceutical company focused on the treatment of
15 patients with serious, difficult-to-treat autoimmune and inflammatory disorders.
16 Questcor’s primary product is H.P. Acthar Gel (repository corticotropin injection)
17 (“Acthar”), an injectable drug that is approved by the U.S. Food and Drug
18 Administration (“FDA”) for the treatment of 19 indications. Of these 19
19 indications, Questcor currently generates substantially all of its net sales from three
20 indications: the treatment of proteinuria in idiopathic types of nephrotic syndrome,
21 the treatment of acute exacerbations of multiple sclerosis (“MS”) in adults, and the
22 treatment of infantile spasms in children under two years of age (“West
23 syndrome”).

24 3. On September 19, 2012, Aetna Inc. (“Aetna”), one of country’s largest
25 insurance companies, announced that it had revised its policy concerning Acthar by
26 severely limiting coverage for the drug. Following a review of the 19 indications
27 that the FDA had approved for Acthar, Aetna determined that *the only “medically*
28

1 *necessary” indication for Acthar is infantile spasms.*¹ As Aetna typically only
2 reimburses for drugs that are deemed medically necessary, the treatment of infantile
3 spasms thus became *the only reimbursable indication* for Acthar from Aetna.
4 According to an Aetna spokesperson, Aetna’s “previous position was that [Acthar]
5 was a last-resort treatment....[Aetna] now state[s] that [Acthar] *is not medically*
6 *necessary because there is no clinical evidence that the drug is more effective*
7 *than steroids.*”

8 4. Upon the release of this news, shares of the Company’s stock declined
9 \$24.17 per share, or almost 48 percent, to close on September 19, 2012 at \$26.35
10 per share, on unusually heavy trading volume.

11 5. Then, on September 24, 2012, Questcor disclosed that the U.S.
12 government had initiated an investigation into the Company’s promotional
13 practices.

14 6. On this news, the Company’s stock declined an additional \$11.05 per
15 share, or almost 37 percent, to close at \$19.08 per share on September 24, 2012,
16 again on unusually heavy trading volume.

17 7. Throughout the Class Period, Defendants misrepresented the suitability
18 of Acthar and failed to disclose material adverse facts about the Company’s
19 financial well-being and prospects. Specifically, Defendants failed to disclose:
20 (1) that Questcor lacked clinical evidence to support the use of Acthar for
21 indications other than infantile spasms; (2) that Questcor had engaged in
22 questionable promotional practices in relation to the sale and use of Acthar in the
23 treatment of MS and nephrotic syndrome; and (3) that, as a result of the foregoing,
24 Questcor lacked a reasonable basis to make positive statements about the Company
25 or its outlook, including statements about Acthar’s efficacy and potential growth.

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¹ All emphases herein are added.

1 8. As a result of Defendants' wrongful acts and omissions, and the
2 precipitous decline in the market value of the Company's securities, Plaintiff and
3 other Class Members suffered damages.

4 **JURISDICTION AND VENUE**

5 9. The claims asserted herein arise under and pursuant to Sections 10(b)
6 and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5
7 promulgated thereunder (17 C.F.R. § 240.10b-5).

8 10. This Court has jurisdiction over the subject matter of this action
9 pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. §
10 1331.

11 11. Venue is proper in this District pursuant to Section 27 of the Exchange
12 Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions
13 alleged herein, including the preparation and dissemination of materially false and
14 misleading information, occurred in substantial part in this District. Additionally,
15 Questcor's principal executive offices are located within this District.

16 12. In connection with the acts, conduct and other wrongs alleged in this
17 Complaint, Defendants, directly or indirectly, used the means and instrumentalities
18 of interstate commerce.

19 **PARTIES**

20 13. Plaintiff, Claudia S. White, as set forth in the accompanying
21 certification, incorporated by reference herein, purchased Questcor securities at
22 artificially inflated prices during the Class Period and has been damaged thereby.

23 14. Defendant Questcor is a California corporation with its principal
24 executive offices located at 1300 North Kellogg Drive, Suite D, Anaheim Hills,
25 California.

26 15. Defendant Don M. Bailey ("Bailey") was, at all relevant times, the
27 Company's President, Chief Executive Officer ("CEO"), and a director of the
28 Company.

1 16. Defendant Michael H. Mulroy (“Mulroy”) was, at all relevant times,
2 the Company’s Chief Financial Officer (“CFO”), General Counsel and Corporate
3 Secretary.

4 17. Defendant Stephen L. Cartt (“Cartt”) was, at all relevant times, the
5 Company’s Chief Operating Officer (“COO”).

6 18. Defendant David Young (“Young”) was, at all relevant times, the
7 Company’s Chief Scientific Officer.

8 19. Defendants Bailey, Mulroy, Cartt and Young are collectively referred
9 to hereinafter as the “Individual Defendants.” The Individual Defendants, because
10 of their positions with the Company, possessed the power and authority to control
11 the contents of Questcor’s reports to the SEC, press releases and presentations to
12 securities analysts, money and portfolio managers and institutional investors, *i.e.*,
13 the market. Each Defendant was provided with copies of the Company’s reports
14 and press releases alleged herein to be misleading prior to, or shortly after, their
15 issuance and had the ability and opportunity to prevent their issuance or cause them
16 to be corrected. Because of their positions and access to material non-public
17 information available to them, each of these Defendants knew that the adverse facts
18 specified herein had not been disclosed to, and were being concealed from, the
19 public, and that the positive representations which were being made were then
20 materially false and misleading. As a result, the Individual Defendants are liable
21 for the false statements pleaded herein.

22 **SUBSTANTIVE ALLEGATIONS**

23 **Background**

24 20. Questcor is a biopharmaceutical company that relies on a single drug,
25 Acthar, for almost all of its revenue. Acthar is a highly specialized, low-volume
26 injectable hormone drug that was originally approved by the FDA in 1952. Acthar
27 has been approved by the FDA for 19 indications, and it is a first-line treatment for
28 infantile spasms (an extremely rare condition that affect 1,500 babies a year in the

1 U.S.). Acthar was approved for the treatment of MS relapse in 1978. It was used
2 extensively as a treatment for MS in the 1970s, but was largely abandoned in the
3 1980s after the more effective corticosteroids came on the market.

4 21. In 2001, Questcor purchased the rights to Acthar for \$100,000. At the
5 time, Acthar was almost exclusively being used to treat infantile spasms.

6 22. In August 2007, Questcor announced in a press release that its Board
7 of Directors had approved a new strategy and business model for Acthar.
8 Specifically, the Company stated that it would initiate a new pricing model, raising
9 the price of Acthar from \$1,650 per vial to \$23,000 per vial. Questcor based this
10 massive price increase on the FDA's approval of Acthar for the treatment of
11 infantile spasms, and the Company's New Drug Application to obtain Orphan Drug
12 status for Acthar for the treatment of that condition. The FDA grants orphan status
13 to a drug that treats a disease affecting fewer than 200,000 people. Orphan status
14 provides a company with seven years of marketing exclusivity. The sudden price
15 increase made Acthar profitable for the first time in its 60 year existence. The FDA
16 approved Questcor's orphan drug status application in October 2010.

17 23. Shortly after the increase in Acthar's sale price, Questcor embarked on
18 an aggressive strategy to transform Acthar into a pipeline, blockbuster drug. The
19 Company began to aggressively promote Acthar for other indications, including the
20 treatment of MS and nephrotic syndrome. Questcor actively markets Acthar as a
21 second line treatment for MS after patients are not responsive to steroids and
22 markets Acthar as a first-line treatment for nephrotic syndrome.

23 24. Due to the new pricing and expanded promotion, Questcor's net sales
24 increased from \$49.8 million in 2007 to \$218.2 million in 2011. Currently, infantile
25 spasms, the condition for which Acthar received orphan drug status, accounts for
26 only 6 - 10% of the Company's revenues.

**Materially False and Misleading
Statements Issued During the Class Period**

25. The Class Period begins on April 26, 2011. On that day, the Company issued a press release announcing its first quarter 2011 financial results. Therein, the Company reported net income of \$11.2 million, or \$0.17 diluted earnings per share (“EPS”), and net sales of \$36.8 million for the first quarter of 2011. The press release also stated, in relevant part:

“Our strategy to expand the sales force is clearly paying off,” said Don M. Bailey, President and CEO of Questcor. “Paid MS prescriptions are up sharply from last quarter. March was a particularly strong month and this momentum has continued so far in April. We believe that Acthar is filling an increasingly important role in the treatment of exacerbations associated with MS and, looking forward, we expect to continue to grow sales in this important therapeutic area.”

Mr. Bailey added, “We are also encouraged by the early positive results from our small, dedicated nephrology sales team, which initiated selling efforts at the beginning of March. The number of nephrologists who are using Acthar to treat patients with nephrotic syndrome is increasing.”

26. Also on April 26, 2011, Questcor held a conference call for investors to discuss its financial and operational results. During the call, Defendants reiterated the record financial and operational results reported in the Company’s press release, and Defendants Bailey and Cartt stated the following:

[BAILEY]: In summary, we are off to a very good start this year as we continue to execute our straightforward strategy to sell more Acthar. Our decision to expand the MS sales force is clearly paying

1 off. Also, our nephrotic syndrome sales force is having some early
2 success.

3 * * *

4 We believe this MS sales performance reflects the strong underlying
5 demand for Acthar. This growth in demand is being driven by the
6 increasing productivity of our expanded sales force. We believe net
7 sales in the MS market are now about 60% of total Acthar net sales.

8 * * *

9 [CARTT]: Our expanded promotional activities directed to
10 neurologists generated significant growth in Acthar prescriptions for
11 MS during the first quarter. During the quarter we shipped a record
12 508 paid Acthar prescriptions for the treatment of MS relapses. This
13 was an increase of 120% over the year ago period and 44% over the
14 previous quarter. We believe this performance is a strong signal that
15 the sales force expansion has gained traction in the MS market at a
16 faster rate than we expected.

17 * * *

18 Our promotional efforts are increasingly focused on two main goals.
19 One, convincing an increasing number of prescribers about the
20 benefits of using Acthar with their patients; and two, helping doctors,
21 nurses and others in their medical practice become more effective at
22 identifying potential Acthar patients.

23 * * *

24 In addition to increased promotion by our sales reps, Acthar sales are
25 benefiting from our sponsored physician speaker programs. In these
26 programs, existing Acthar prescribers present to small groups of
27 physicians their experiences using Acthar and the published efficacy
28 and safety data for Acthar in MS relapses. When combined with

1 follow-up sales calls, these programs appear to be a key driver of our
2 sales growth. Recently, we have been significantly increasing the
3 number of speaker programs being conducted and expect to continue
4 doing so in the future.

5 27. On April 27, 2011, Questcor filed its Quarterly Report with the SEC on
6 Form 10-Q. The Company's Form 10-Q was signed by Defendants Bailey and
7 Mulroy, and reaffirmed the Company's financial and operational results previously
8 announced on April 26, 2011. Additionally, the Form 10-Q stated, in relevant part:

9 During the three months ended March 31, 2011, we achieved a
10 significant increase in the number of prescriptions for Acthar to treat
11 MS exacerbations, which was attributable to our expanded sales force
12 calling on physicians who treat patients with MS.

13 28. On July 26, 2011, Questcor announced its second quarter 2011
14 financial results in a press release. The Company reported net income of \$13.9
15 million, or \$0.21 diluted EPS, and net sales of \$46.0 million for the second quarter
16 of 2011. The press release further stated, in relevant part:

17 "Clearly, Questcor had a terrific quarter," said Don M. Bailey,
18 President and CEO of Questcor. "Our focus on expanding the use of
19 Acthar in the treatment of MS exacerbations drove our record second
20 quarter financial performance. Importantly, in spite of the rapid
21 expansion in the use of Acthar for MS exacerbations, we believe that
22 the prescriber base can continue to grow. Accordingly, growing MS
23 sales remains our number one priority. Also, following our early
24 success in nephrotic syndrome, we are immediately and substantially
25 expanding our nephrology selling effort."

26 29. Also on July 26, 2011, Questcor held a conference call for investors to
27 discuss its financial and operational results. During the call, Defendants reiterated
28

1 the record financial and operational results reported in the Company's press release,
2 and Defendants Cartt and Bailey stated the following:

3 [CARTT]: During the quarter we shipped a record 751 paid Acthar
4 prescription for the treatment of MS relapses. This was an increase of
5 147% over the year-ago period and 48% over the previous quarter.
6 We believe this performance is a strong signal that the sales force
7 continues to gain traction in the MS market at a faster rate than we
8 expected. In addition to rapid growth, our trends in MS are all very
9 good and indicate that we are building momentum in this key Acthar
10 market.

11 * * *

12 [BAILEY]: Our go forward plan is extremely simple and remains to
13 sell more Acthar. That is, gross sales in each of our key markets, MS,
14 NS, and IS, and then expand our commercial effort into other Acthar
15 on-label markets and try to generate Acthar usage in those markets.
16 In the second quarter, we continued our momentum and had
17 increasing sales levels combined with strong profit margins and
18 substantial free cash flow.

19 30. On July 29, 2011, Questcor filed its Quarterly Report with the SEC on
20 Form 10-Q. The Company's Form 10-Q was signed by Defendants Bailey and
21 Mulroy, and reaffirmed the Company's financial results previously announced on
22 July 26, 2011.

23 31. On October 25, 2011, Questcor issued a press release announcing its
24 third quarter 2011 financial and operational results. The Company reported net
25 income of \$22.9 million, or \$0.35 diluted EPS, and net sales of \$59.8 million for the
26 third quarter of 2011. The press release also stated, in relevant part:

27 "Questcor's strategy to sell more Acthar continues to generate
28 increasing net sales and earnings," said Don M. Bailey, President and

1 CEO of Questcor. "Our commercial organization is steadily
2 expanding the number of neurologists, nephrologists, and child
3 neurologists prescribing Acthar. We believe Acthar has the potential
4 to benefit many more MS, NS, IS and possibly lupus patients in the
5 future."

6 "Our 77 person Specialty Sales Force continues to drive expanded
7 usage of Acthar as second-line therapy for MS exacerbations, a key
8 Acthar market," commented Steve Cartt, Executive Vice President
9 and Chief Business Officer. "Furthermore, during the third quarter we
10 completed the expansion of our Nephrology Sales Force from 5 to 28
11 representatives, with all new personnel being fully trained and making
12 initial sales calls by October 1st. Despite the inherent disruption
13 involved with this expansion, paid nephrotic syndrome Acthar
14 prescriptions increased during the quarter. September was a
15 particularly strong month for both MS and NS sales."

16 32. Also on October 25, 2011, Questcor held a conference call for
17 investors to discuss its financial and operational results. During the call,
18 Defendants reiterated the record financial results reported in the Company's press
19 release, and Defendant Cartt stated the following:

20 [CARTT]: [W]e shipped 886 paid Acthar prescription for the
21 treatment of MS relapses during the third quarter of 2011. This was
22 an increase of 174% over the year ago period. In addition to strong
23 script growth, other positive trends in our MS business indicate that
24 we are building momentum in this key Acthar market.

25 * * *

26 Switching gears to the subject of new scientific data, several Acthar
27 related abstracts will be presented in November at the Annual Meeting
28 of the America Society of Nephrology or ASN held this year in

1 Philadelphia....The new data provide further insight into the immune-
2 modulating and other therapeutic properties of Acthar specifically
3 relating to kidney disease.

4 We believe availability of this data provides further evidence for the
5 direct action of Acthar on kidney disease. Importantly, the first three
6 abstracts shown may specifically enhance our near-term selling efforts
7 in nephrology.

8 Our emerging understanding of the apparent immune-modulating
9 properties of Acthar is also beginning to encourage us to investigate
10 the potentially broader therapeutic applications of Acthar in other
11 inflammatory and autoimmune diseases, many of which are already
12 on the product label for Acthar.

13 33. On October 27, 2011, Questcor filed its Quarterly Report with the SEC
14 on Form 10-Q. The Company's Form 10-Q was signed by Defendants Bailey and
15 Mulroy, and reaffirmed the Company's financial results previously announced on
16 October 25, 2011.

17 34. On January 11, 2012, *TheStreetSweeper.org* announced that it intended
18 to publish the first of a two-part investigative series about Questcor in the following
19 week. According to *TheStreetSweeper.org*:

20 The first article raises serious questions about the aggressive
21 marketing practices that [Questcor] has used to generate explosive —
22 but potentially unsustainable — growth in prescriptions for its only
23 drug. The second story further examines [Questcor's] business
24 practices, while taking a hard look at the leaders who have struck it
25 rich as a result of the company's controversial growth strategy.

26 35. Questcor went to extensive lengths to refute the claims raised by
27 *TheStreetSweeper.org* and defend the Company's business practices. As a result,
28 Questcor's stock remained artificially inflated.

1 36. For example, on January 11, 2012, Questcor responded to the
2 *TheStreetSweeper.org* allegations by issuing a press release which stated, in
3 relevant part:

4 The Company believes that its marketing and business practices are
5 consistent with regulatory requirements and industry standard
6 practices. Questcor markets H.P. Acthar® Gel for the treatment of
7 acute exacerbations of multiple sclerosis (MS) in adults, the treatment
8 of nephrotic syndrome, and the treatment of infantile spasms in
9 children under two years of age. The Company maintains a
10 compliance program, which is led by an experienced compliance
11 officer and includes the active participation of Questcor's executive
12 management team. Questcor attributes its success to the ability of
13 Acthar to potentially address the unmet medical need associated with
14 MS exacerbations and nephrotic syndrome. The Company is
15 committed to providing access to Acthar to patients who need it, and
16 marketing Acthar in accordance with regulatory requirements and
17 industry standard practices. Questcor plans to speak with the
18 publication to discuss the Company and its marketing and business
19 practices.

20 37. On February 22, 2012, Questcor issued a press release announcing its
21 fourth quarter and full year 2011 financial results. The Company reported net
22 income of \$31.6 million, or \$0.48 diluted EPS, and net sales of \$75.5 million for the
23 fourth quarter of 2011. Additionally, the Company reported net income of \$79.6
24 million, or \$1.21 diluted EPS, and net sales of \$218.2 million for fiscal year 2011.
25 The press release further stated, in relevant part:

26 “Net sales growth in the fourth quarter was driven by the increasing
27 numbers of physicians who are recognizing the potential for Acthar to
28 help patients with MS and NS,” said Don M. Bailey, President and

1 CEO of Questcor. “We are particularly encouraged by the growing
2 number of physicians who recognize the therapeutic value of Acthar
3 in their practices, especially for those patients who have not
4 adequately responded to other treatments.”

5 38. Also on February 22, 2012, Questcor held a conference call for
6 investors to discuss its financial and operational results. During the call,
7 Defendants reiterated the record financial results reported in the Company’s press
8 release, and Defendants Bailey and Cartt stated the following:

9 [BAILEY]: As we look ahead to 2012 and beyond, we believe we can
10 sustainably grow our business due to three key factors. First, Acthar
11 provides benefits to many difficult-to-treat patients not responding to
12 other treatments. Second, our market penetration in terms of the total
13 number of neurologists and nephrologists prescribing Acthar, while
14 growing, remains relatively small. And third, we have assembled an
15 excellent, experienced commercial team to pursue our growth plan.
16 Our focus remains on helping patients with serious, difficult-to-treat
17 medical conditions.

18 * * *

19 [CARTT]: A key priority of ours continues to be educating both
20 physicians and patients about how Acthar is a viable treatment option
21 for MS exacerbations or relapses, particularly in those patients not
22 well served by steroids, which are generally considered first-line
23 therapy by most neurologists. This focus drove our year-over-year
24 increase in the number of paid Acthar prescriptions for MS. In the
25 fourth quarter of 2011, there were 945 paid and shipped Acthar MS
26 prescriptions, up from 354 scripts in the fourth quarter of 2010. This is
27 a 167% year-over-year increase. There were several factors behind
28 this growth: positive patient outcome, increasing awareness among

1 neurologists about how best to incorporate Acthar into their practices,
2 continued excellent Acthar insurance coverage for MS relapses, and
3 the increase in productivity of our MS commercial team, all combined
4 to generate this growth.

5 * * *

6 [BAILEY] We believe that because Acthar provides real and
7 substantial benefits to many patients who would otherwise continue to
8 suffer the effects of serious difficult-to-treat disorders, our growth
9 should be sustainable. We are expanding the Organization and
10 associated infrastructure to address the significant growth
11 opportunities in front of us. At the same time we are off to a good
12 start to 2012, with January MS, NS, and IS paid prescription each
13 having a good month.

14 39. On February 22, 2012, the Company filed its Annual Report with the
15 SEC on Form 10-K. The Company's Form 10-K was signed by Defendants Bailey
16 and Mulroy, and reaffirmed the Company's financial results previously announced.
17 Additionally, the Form 10-K stated:

18 Our total net sales for the Company were \$218.2 million for the year
19 ended December 31, 2011 as compared to \$115.1 million and \$88.3
20 million for the years ended December 31, 2010 and 2009,
21 respectively. Approximately 100% of our net sales in each of these
22 years were from Acthar. Our net income was \$79.6 million for the
23 year ended December 31, 2011 as compared to \$35.1 million and
24 \$26.6 million for the years ended December 31, 2010 and 2009,
25 respectively.

26 40. On April 24, 2012, Questcor issued a press release announcing its first
27 quarter 2012 financial results. The Company reported net income of \$38.5 million,
28

1 or \$0.58 diluted EPS, and net sales of \$96.0 million for the first quarter of 2012.

2 The press release also stated, in relevant part:

3 “While our substantial NS commercial effort only began in the fourth
4 quarter of 2011, the value of NS shipped prescriptions now exceeds
5 that of MS,” said Don M. Bailey, President and CEO of Questcor.

6 “This faster-than-expected NS growth drove us to further expand the
7 NS commercial effort prior to the additional expansion of our MS
8 commercial team.”

9 41. Also on April 24, 2012, Questcor held a conference call for investors
10 to discuss its financial results. During the call, Defendants reiterated the record
11 financial results reported in the Company’s press release, and Defendants Bailey,
12 Cartt and Young stated the following:

13 [BAILEY]: We continue to expand nephrologist and neurologist
14 awareness of patient benefits from Acthar and as a result, paid
15 prescriptions continue to increase. Driving our growth in the first
16 quarter was the strong increase in paid prescriptions written by
17 nephrologists to treat patients with nephrotic syndrome, a serious
18 kidney ailment. After a successful pilot program, we stepped up our
19 nephrology commercial effort last October. The expected revenues
20 from nephrotic syndrome prescriptions are accelerating to the point
21 that by our calculation, nephritic syndrome scrip value now exceeds
22 MS.

23 * * *

24 [CARTT]: Insurance reimbursements for Acthar in nephrotic
25 syndrome continues to be very good, with more than 85% of private
26 insurance prescriptions covered. We attribute this continued strong
27 coverage to the severity of the health outcome if nephrotic syndrome
28 is not adequately treated, coupled with the fact that Acthar is indicated

1 and approved in this condition, and there are few other treatment
2 options. Further supporting both coverage and prescribing activity is
3 the ongoing flow of positive results coming from the various studies
4 we are funding.

5 * * *

6 [YOUNG]: As noted by the newest research analyst to cover
7 Questcor, Acthar can truly be considered a pipeline within a drug.
8 While quite rare, there are in effect few other successful examples of
9 the type of product. Soliris and Botox come to mind, for example.
10 We have a significant opportunity with Acthar to expand use from our
11 three existing markets that Steve just discussed to other markets that
12 are part of the list of 19 approved on-label indications. In addition, as
13 we've been learning more about the pharmacology of Acthar,
14 including how and why Acthar acts differently than steroids, there are
15 many other new indications with unmet medical needs where we and
16 others believe Acthar could provide a significant clinical benefit.

17 42. On April 26, 2012, Questcor filed its Quarterly Report with the SEC on
18 Form 10-Q. The Company's Form 10-Q was signed by Defendants Mulroy and
19 Bailey, and reaffirmed the Company's financial results previously announced on
20 April 24, 2012. Additionally, the Form 10-Q stated, in relevant part:

21 In the quarter ended March 31, 2012, our expanded Nephrology Sales
22 Force effort resulted in 238 new, paid NS prescriptions, a significant
23 increase over the eighteen new, paid NS prescriptions in the quarter
24 ended March 31, 2011. During the three months ended March 31,
25 2012, the number of prescriptions for Acthar to treat MS
26 exacerbations increased to 1,000 from 508 in the quarter ended March
27 31, 2011, which was attributable to our expanded sales force calling
28 on physicians who treat patients with MS. We also experienced 112

1 paid, new IS prescriptions in the first quarter of 2012, which were
2 within the normal historic range. These prescription figures are based
3 on internal Company estimates and are subject to change as discussed
4 in the “Important Notes Regarding Prescription Data” to the
5 prescription table on page 19 of this report. As Acthar is already
6 considered by many child neurologists to be the treatment of choice in
7 IS, we are reducing the number of sales calls to child neurologists.

8 43. On July 9, 2012, Questcor’s stock reached its Class Period high of
9 \$57.64 per share.

10 44. On July 24, 2012, Questcor issued a press release announcing its
11 second quarter 2012 financial results. The Company reported net income of \$41.5
12 million, or \$0.65 diluted EPS, and net sales of \$112.5 million for the second quarter
13 of 2012. The press release further stated, in relevant part:

14 “In the second quarter, we surpassed \$100 million in quarterly net
15 sales for the first time in our history,” said Don M. Bailey, President
16 and CEO of Questcor. “Our strong financial results were driven by
17 increasing usage of Acthar among nephrologists and neurologists.
18 With the expansion of our Nephrology Sales Force now complete, the
19 expansion of our Neurology Sales Force nearing completion, and the
20 initial detailing effort of a small sales force in Rheumatology just
21 getting started, we are optimistic about the potential for Acthar to help
22 an increasing number of patients with serious, difficult-to-treat
23 autoimmune and inflammatory disorders.”

24 45. Also on July 24, 2012, Questcor held a conference call for investors to
25 discuss its financial and operational results. During the call, Defendants reiterated
26 the record financial results reported in the Company’s press release, and Defendants
27 Bailey and Cartt stated the following:
28

1 [BAILEY]: We made significant progress with our business in the last
2 three months. Financial performance again improved. We almost
3 doubled the number of shipped vials in the quarter, more than doubled
4 net sales and tripled earnings from the year ago quarter. Paid scripts
5 increased for both nephrotic syndrome and MS....And we also made
6 good progress in both our science and compliance programs.

7 * * *

8 [CARTT]: Very importantly, we often hear anecdotally that Acthar
9 treatment is producing positive results for patients. This is not always
10 the case, of course; not everyone responds, but clearly, many patients
11 are benefiting significantly from this drug, and there are few other
12 treatment options available. All these factors are contributing to the
13 rapid increase in Acthar usage in nephrotic syndrome.

14 * * *

15 Our year-over-year growth in MS paid scripts is due to positive
16 patient outcomes, increasing awareness about how Acthar can help
17 patients who are not fully benefiting from other therapies, continued
18 excellent Acthar insurance coverage for MS relapse and the increasing
19 productivity of our MS commercial team.

20 46. On July 25, 2012, Questcor filed its Quarterly Report with the SEC on
21 Form 10-Q. The Company's Form 10-Q was signed by Defendants Bailey and
22 Mulroy, and reaffirmed the Company's financial results previously announced on
23 July 24, 2012. Additionally, the Form 10-Q stated, in relevant part:

24 We continue to experience significant growth in NS prescriptions and
25 we completed the expansion of our nephrology sale[s] force from 28
26 to 58 representatives, with all new representatives trained and in the
27 field as of May 29, 2012.

28 * * *

1 We continue to experience significant growth in MS prescriptions and
2 are in the process of expanding our neurology sales force from 77 to
3 107 representatives, with hiring expected to be completed in August
4 2012.

5 47. The statements contained in ¶¶25-33, 36-42 and 44-46 were materially
6 false and misleading when made because Defendants failed to disclose or indicate
7 the following: (1) that Questcor lacked clinical evidence to support the use of
8 Acthar for indications other than infantile spasms; (2) that Questcor had engaged in
9 questionable promotional practices in relation to the sale and use of Acthar in the
10 treatment of MS and nephrotic syndrome; and (3) that, as a result of the foregoing,
11 Questcor lacked a reasonable basis to make positive statements about the Company
12 or its outlook, including statements about Acthar's efficacy, potential growth, and
13 how it "can truly be considered a pipeline within a drug."

14 **The Truth Begins to Emerge**

15 48. Questions regarding Acthar's efficacy and Questcor's aggressive
16 promotion of the drug began to arise in January 2011. Specifically, the Company's
17 stock fell \$6.20 per share from a closing price of \$41.54 per share on January 10,
18 2012 to close at \$35.34 per share on January 11, 2012, a one-day decline of 15% on
19 unusually high volume, in response to news on January 11, 2011 that
20 *TheStreetSweeper.org* would publish a two part investigation regarding the
21 Company's marketing and business practice. However, Defendants vehemently
22 denied allegations that the Company engaged in improper conduct. Defendants'
23 denials maintained the artificial inflation of the Company's stock price.

24 49. On September 19, 2012, Citron Research ("Citron") reported that
25 Aetna, one of country's largest insurance companies, had revised its policy
26 concerning Acthar, severely limiting coverage for the drug. Following a review of
27 the 19 indications that the FDA had approved for Acthar, Aetna determined that the
28 only "medically necessary" indication for Acthar is infantile spasms. As Aetna

1 typically only reimburses drugs that are deemed medically necessary, the treatment
2 of infantile spasms became the only reimbursable indication for Acthar for Aetna.
3 According to an Aetna spokesperson, Aetna's "previous position was that [Acthar]
4 was a last-resort treatment....[Aetna] now state[s] that [Acthar] is not medically
5 necessary because there is no clinical evidence that the drug is more effective than
6 steroids."

7 50. Upon the release of this news, shares of the Company's stock declined
8 \$24.17 per share, or almost 48%, to close on September 19, 2012 at \$26.35 per
9 share, on unusually heavy trading volume.

10 51. Then, on September 19, 2012, Questcor issued a press release entitled
11 "Questcor Comments on Insurance Policy Bulletin," which stated, in relevant part:

12 The Company is continuing to review the Clinical Policy Bulletin
13 related to Acthar from Aetna Inc. ("Aetna"). Currently, the Company
14 does not believe that the bulletin represents a material change in
15 insurance coverage for Acthar by Aetna. During 2012, Aetna has
16 accounted for approximately 5% of the Company's shipped
17 prescriptions for Acthar. Based on its current assessment of the
18 Clinical Policy Bulletin, the Company does not believe that the
19 bulletin will have a material impact on the Company's results of
20 operations.

21 52. On September 24, 2012, Questcor disclosed, in a Form 8-K filed with
22 the SEC, that the U.S. government had initiated an investigation into the
23 Company's promotional practices. On this news, shares of the Company's stock
24 declined an additional \$11.05 per share, or almost 37%, to close at \$19.08 per share
25 on September 24, 2012, again on unusually heavy trading volume. Due to
26 Defendants' false statements, Questcor stock traded at artificially inflated values
27 during the Class Period. As the market learned of the revelations alleged above, the
28 Company's shares fell dramatically, losing approximately 67% of their value from

1 the Class Period high in response to the foregoing series of partial corrective
2 disclosures. The declines resulted in investors suffering significant economic
3 losses.

4 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

5 53. Plaintiff brings this action as a class action pursuant to Rule 23 of the
6 Federal Rules of Civil Procedure on behalf of all persons who purchased Questcor
7 securities during the Class Period (the "Class"). Excluded from the Class are
8 Defendants, directors and officers of Questcor and their families and affiliates.

9 54. The members of the Class are so numerous that joinder of all members
10 is impracticable. The disposition of their claims in a class action will provide
11 substantial benefits to the parties and the Court. According to the Company's Form
12 10-K filed with the SEC on February 22, 2012, Questcor had over 62 million shares
13 of stock outstanding, owned by thousands of persons.

14 55. There is a well-defined community of interest in the questions of law
15 and fact involved in this case. Questions of law and fact common to the members
16 of the Class which predominate over questions which may affect individual Class
17 members include:

- 18 (a) Whether the Securities Exchange Act was violated by
19 Defendants;
20 (b) Whether Defendants omitted and/or misrepresented material
21 facts;
22 (c) Whether Defendants' statements omitted material facts
23 necessary in order to make the statements made, in light of the
24 circumstances under which they were made, not misleading;
25 (d) Whether Defendants knew or recklessly disregarded that their
26 statements were false and misleading;
27 (e) Whether the prices of Questcor securities were artificially
28 inflated; and

1 (f) The extent of damage sustained by Class members and the
2 appropriate measure of damages.

3 56. Plaintiff's claims are typical of those of the Class because Plaintiff and
4 the Class sustained damages from Defendants' wrongful conduct.

5 57. Plaintiff will adequately protect the interests of the Class and has
6 retained counsel who are experienced in class action securities litigation. Plaintiff
7 has no interests which conflict with those of the Class.

8 58. A class action is superior to other available methods for the fair and
9 efficient adjudication of this controversy.

10 **LOSS CAUSATION/ECONOMIC LOSS**

11 59. Defendants' wrongful conduct, as alleged herein, directly and
12 proximately caused the economic loss suffered by Plaintiff and the Class. The price
13 of Questcor's securities significantly declined when the misrepresentations made to
14 the market, and/or the information alleged herein to have been concealed from the
15 market, and/or the effects thereof, were revealed, causing investors' losses. As a
16 result of their purchases of Questcor securities during the Class Period, Plaintiff and
17 other members of the Class suffered economic loss, *i.e.*, damages, under the federal
18 securities laws.

19 **SCIENTER ALLEGATIONS**

20 60. During the Class Period, the Defendants had actual knowledge, or were
21 extremely reckless in not knowing, the misleading nature of the statements they
22 made to investors concerning Acthar and the Company's financial results. In so
23 doing, Defendants participated in a scheme to defraud and committed acts, practices
24 and participated in a course of business that operated as a fraud or deceit on
25 purchasers of Questcor's securities during the Class Period.

26 61. Additionally, during the Class Period, and with the Company's
27 securities trading at artificially inflated prices, Company insiders sold 3,037,934
28 shares of their personally held or controlled Questcor stock for gross proceeds of

over \$103.9 million, including over \$41 million in gross proceeds received by the Individual Defendants. This trading by Company insiders is evidenced by the following chart:

Date of Trade	Inside Trader	Number	Price per Share	Gross Proceeds
9/12/2012	Don Bailey	40,000	\$50.08	\$2,003,200
9/3/2012	Mitchell Blutt	10,000	\$47.60	\$476,000
9/3/2012	Mitchell Blutt	14,730	\$47.60	\$701,148
8/26/2012	Don Bailey	40,000	\$43.07	\$1,722,800
7/9/2012	Don Bailey	30,000	\$57.61 - \$57.89	\$1,733,000
7/1/2012	Mitchell Blutt	70,000	\$53.11	\$3,717,700
6/10/2012	Don Bailey	30,000	\$45.37	\$1,361,100
5/9/2012	Don Bailey	30,000	\$39.65 - \$39.66	\$1,190,000
5/3/2012	Mitchell Blutt	11,573	\$42.69	\$494,051
4/26/2012	David Young	70,000	\$42.81	\$2,996,700
4/18/2012	Stephen Farrell	25,000	\$42.00	\$1,050,000
4/9/2012	Don Bailey	30,000	\$40.92	\$1,227,600
3/8/2012	Don Bailey	30,000	\$35.31 - \$36.87	\$1,083,000
2/9/2012	Don Bailey	30,000	\$34.59 - \$34.97	\$1,043,000
1/9/2012	Don Bailey	30,000	\$41.87	\$1,256,100
12/8/2011	Don Bailey	30,000	\$43.18 - \$44.94	\$1,322,000
11/15/2011	Stephen Farrell	30,000	\$43.21 - \$43.73	\$1,304,000
11/14/2011	Mitchell Blutt	150,000	\$43.94	\$6,591,000
11/13/2011	David J. Medeiros	50,572	\$43.99	\$2,224,662
11/10/2011	David J. Medeiros	123,036	\$42.98	\$5,288,087
11/9/2011	Don Bailey	30,000	\$41.07 - \$41.81	\$1,243,000
11/7/2011	David J. Medeiros	180,189	\$42.57	\$7,670,645
11/7/2011	Stephen Cartt	8,100	\$42.75	\$346,275
10/30/2011	David Young	79,724	\$41.03 - \$41.4	\$3,286,000
10/30/2011	David J. Medeiros	62,469	\$42.26 - \$42.65	\$2,652,000
10/30/2011	Stephen Cartt	25,000	\$42.60	\$1,065,000

1	10/27/2011	David J. Medeiros	147,756	\$41.55	\$6,139,261
2	10/27/2011	Stephen Cartt	139,286	\$41.36	\$5,760,868
3	10/9/2011	Don Bailey	30,000	\$31.43 - \$32.45	\$958,000
4	9/11/2011	Don Bailey	30,000	\$25.28 - \$28.90	\$813,000
5	9/11/2011	Mitchell Blutt	370,000	\$26.13	\$9,668,100
6	9/1/2011	Kristine Engelke	252	\$30.07	\$7,577
7	8/24/2011	Don Bailey	30,000	\$26.04 - \$26.99	\$795,000
8	8/22/2011	Kristine Engelke	4,000	\$26.00	\$104,000
9	8/14/2011	David Young	6,092	\$32.00	\$194,944
10	8/14/2011	Stephen Cartt	47,155	\$31.50	\$1,485,382
11	8/11/2011	David Young	9,308	\$32.00	\$297,856
12	8/10/2011	Kristine Engelke	883	\$31.50	\$27,814
13	8/10/2011	Stephen Cartt	85,968	\$31.00 - \$31.19	\$2,673,000
14	8/9/2011	Stephen Cartt	25,000	\$31.00	\$775,000
15	8/4/2011	David Young	10,000	\$28.50	\$285,000
16	8/3/2011	Stephen Cartt	25,513	\$30.17	\$769,727
17	8/2/2011	David J. Medeiros	94,500	\$31.18	\$2,946,510
18	5/15/2011	Stephen Cartt	79,087	\$22.04	\$1,743,077
19	5/12/2011	Stephen Cartt	70,400	\$22.73	\$1,600,192
20	5/11/2011	David J. Medeiros	115,128	\$22.07	\$2,540,874
21	5/2/2011	David J. Medeiros	4,500	\$20.38	\$91,710
22	5/1/2011	David J. Medeiros	80,372	\$20.70	\$1,663,700
23	4/28/2011	David J. Medeiros	204,841	\$20.36	\$4,170,562
24	4/28/2011	Thompson, Virgil	167,500	\$20.38	\$3,413,650
25	Totals:		3,037,934		\$103,972,872

62. The trading was also highly unusual in its scope. For example, Defendant Cartt sold 61% (505,509 shares) of his Questcor stock (stock and options granted) during the Class Period, for total proceeds of \$16,215,280, while Defendant Young sold 50% (175,124 shares) of his Questcor stock (stock and options granted) during the Class Period, for total proceeds of \$7,047,324.

**Applicability of Presumption of Reliance:
Fraud on the Market Doctrine**

63. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- (a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (b) The omissions and misrepresentations were material;
- (c) The Company's securities traded in an efficient market;
- (d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- (e) Plaintiff and other members of the Class purchased Questcor securities between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

64. At all relevant times, the market for Questcor securities was efficient for the following reasons, among others: (a) as a regulated issuer, Questcor filed periodic public reports with the SEC; and (b) Questcor regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

NO SAFE HARBOR

65. Defendants' verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

66. Defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or

1 misleading and the FLS was authorized and/or approved by an executive officer of
2 Questcor who knew that the FLS was false. None of the historic or present tense
3 statements made by Defendants were assumptions underlying or relating to any
4 plan, projection or statement of future economic performance, as they were not
5 stated to be such assumptions underlying or relating to any projection or statement
6 of future economic performance when made, nor were any of the projections or
7 forecasts made by Defendants expressly related to or stated to be dependent on
8 those historic or present tense statements when made.

9 **FIRST CLAIM**

10 **Violation of Section 10(b) of the Exchange Act and Rule 10b-5**
11 **Promulgated Thereunder Against All Defendants**

12 67. Plaintiff repeats and realleges each and every allegation contained
13 above as if fully set forth herein.

14 68. During the Class Period, Questcor and the Individual Defendants
15 carried out a plan, scheme and course of conduct which was intended to and,
16 throughout the Class Period, did: (i) deceive the investing public, including Plaintiff
17 and other Class members, as alleged herein; and (ii) cause Plaintiff and other
18 members of the Class to purchase Questcor securities at artificially inflated prices.
19 In furtherance of this unlawful scheme, plan and course of conduct, these
20 Defendants, and each of them, took the actions set forth herein.

21 69. Questcor and the Individual Defendants: (i) employed devices,
22 schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or
23 omitted to state material facts necessary to make the statements not misleading; and
24 (iii) engaged in acts, practices, and a course of business which operated as a fraud
25 and deceit upon the purchasers of the Company's securities in an effort to maintain
26 artificially high market prices for Questcor securities in violation of Section 10(b)
27 of the Exchange Act and Rule 10b-5. These Defendants are sued either as primary
28

1 participants in the wrongful and illegal conduct charged herein or as controlling
2 persons.

3 **SECOND CLAIM**

4 **Violation of Section 20(a) of**
5 **the Exchange Act Against the Individual Defendants**

6 70. Plaintiff repeats and realleges each and every allegation contained
7 above as if fully set forth herein.

8 71. The Individual Defendants acted as controlling persons of Questcor
9 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By
10 virtue of their high-level positions, and their ownership and contractual rights,
11 participation in and/or awareness of the Company's operations and/or intimate
12 knowledge of the false financial statements filed by the Company with the SEC and
13 disseminated to the investing public, the Individual Defendants had the power to
14 influence and control and did influence and control, directly or indirectly, the
15 decision-making of the Company, including the content and dissemination of the
16 various statements which Plaintiff contends are false and misleading. The
17 Individual Defendants were provided with or had unlimited access to copies of the
18 Company's reports, press releases, public filings and other statements alleged by
19 Plaintiff to be misleading prior to and/or shortly after these statements were issued
20 and had the ability to prevent the issuance of the statements or cause the statements
21 to be corrected.

22 72. In particular, each of the Individual Defendants had direct and
23 supervisory involvement in the day-to-day operations of the Company and,
24 therefore are presumed to have had the power to control or influence the particular
25 transactions giving rise to the securities violations as alleged herein, and exercised
26 the same.

27 73. As set forth above, Questcor and the Individual Defendants each
28 violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this

Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:


- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages and equitable relief in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: October 3, 2012

KESSLER TOPAZ
MELTZER & CHECK, LLP



Ramzi Abadou
Eli R. Greenstein
Stacey M. Kaplan
Erik D. Peterson
One Sansome Street, Suite 1850
San Francisco, CA 94104
Telephone: (415) 400-3000
Facsimile: (415) 400-3001

Counsel for Plaintiff Claudia S. White

CERTIFICATION

I, **Claudia S. White**, ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint, and authorizes its filing.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, either individually or as part of a group, including providing testimony at deposition and trial, if necessary.
4. Plaintiff's purchase and sale transaction(s) in the **Questcor Pharmaceuticals, Inc. (Nasdaq: QCOR)** security that is the subject of this action during the Class Period is/are on the attached Schedule A.
5. Plaintiff has complete authority to bring a suit to recover for investment losses on behalf of purchasers of the subject securities described herein (including plaintiff, any co-owners, any corporations or other entities, and/or any beneficial owners).
6. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as described below: _____.
7. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 1st day of October, 2012.


CLAUDIA S. WHITE

SCHEDULE A

[illegible]

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge David O. Carter and the assigned discovery Magistrate Judge is Arthur Nakazato.

The case number on all documents filed with the Court should read as follows:

SACV12- 1708 DOC (ANx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

=====

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

☐ **Western Division**
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

☒ **Southern Division**
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

☐ **Eastern Division**
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

AO 440 (Rev. 06/12) Summons in a Civil Action

UNITED STATES DISTRICT COURT

for the

Central District of California

CLAUDIA S. WHITE, Individually and on Behalf of All
Others Similarly Situated

Plaintiff(s)

v.

QUESTCOR PHARMACEUTICALS, INC., DON M.
BAILEY, MICHAEL H. MULROY, STEPHEN L.
CARTT and DAVID YOUNG

Defendant(s)

SACV12 1708

DOC(fmx)

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: *(Defendant's name and address)* See Attachment A

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

KESSLER TOPAZ MELTZER & CHECK, LLP
Ramzi Abadou (222567)
One Sansome Street, Suite 1850
San Francisco, CA 94104
Telephone: (415) 400-3000
Facsimile: (415) 400-3001

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

OCT - 3 2012

Date: _____

CLERK OF COURT

JULIE PRADO

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* _____
 was received by me on *(date)* _____.

☐ I personally served the summons on the individual at *(place)* _____
 _____ on *(date)* _____; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* _____
 _____, a person of suitable age and discretion who resides there,
 on *(date)* _____, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* _____, who is
 designated by law to accept service of process on behalf of *(name of organization)* _____
 _____ on *(date)* _____; or

☐ I returned the summons unexecuted because _____; or

☐ Other *(specify)*: _____

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ 0.00.

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

Attachment A

Questcor Pharmaceuticals, Inc.
CT Corporation System
818 W. Seventh Street
Los Angeles, CA 90017

Don M. Bailey
5748 Grandview Avenue
Yorba Linda, CA 92886-5408

Stephen L. Cartt
3426 Brittan Avenue
San Carlos, CA 94070-3454

Michael H. Mulroy
22 Spanish Bay Drive
Newport Beach, CA 92660-9207

David Young
3912 Nelson House Road
Ellicott City, MD 21043-4841

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

I (a) PLAINTIFFS (Check box if you are representing yourself ☐)
 CLAUDIA S. WHITE, Individually and on Behalf of All Others Similarly
 Situated

DEFENDANTS
 QUESTCOR PHARMACEUTICALS, INC., DON M. BAILEY, MICHAEL H.
 MULROY, STEPHEN L. CARTT and DAVID YOUNG

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)
 KESSLER TOPAZ MELTZER & CHECK, LLP
 Ramzi Abadou (222567)
 One Sansome Street, Suite 1850, San Francisco, CA 94104
 Telephone: (415) 400-3000

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an X in one box only.)

- ☐ 1 U.S. Government Plaintiff ☒ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only
 (Place an X in one box for plaintiff and one for defendant.)

- | | PTF | DEF | | PTF | DEF |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business in this State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. ORIGIN (Place an X in one box only.)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify): ☐ 6 Multi-District Litigation ☐ 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☒ Yes ☐ No (Check 'Yes' only if demanded in complaint.)

CLASS ACTION under F.R.C.P. 23: ☒ Yes ☐ No

MONEY DEMANDED IN COMPLAINT: \$ _____

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
 Complaint for violations of the federal securities laws- 15 U.S.C. §§ 78j(b) and 78(a) and 17 C.F.R. § 240.10b-5

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES	CONTRACT	TORTS	TORTS	PRISONER PETITIONS	LABOR
<input type="checkbox"/> 400 State Reapportionment	<input type="checkbox"/> 110 Insurance	PERSONAL INJURY	PERSONAL PROPERTY	<input type="checkbox"/> 510 Motions to Vacate Sentence	<input type="checkbox"/> 710 Fair Labor Standards Act
<input type="checkbox"/> 410 Antitrust	<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 370 Other Fraud	<input type="checkbox"/> 530 General Habeas Corpus	<input type="checkbox"/> 720 Labor/Mgmt. Relations
<input type="checkbox"/> 430 Banks and Banking	<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 535 Death Penalty	<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act
<input type="checkbox"/> 450 Commerce/ICC Rates/etc.	<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 540 Mandamus/Other	<input type="checkbox"/> 740 Railway Labor Act
<input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 330 Fed. Employers' Liability	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 790 Other Labor Litigation
<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations	<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 340 Marine	BANKRUPTCY	<input type="checkbox"/> 555 Prison Condition	<input type="checkbox"/> 791 Empl. Ret. Inc. Security Act
<input type="checkbox"/> 480 Consumer Credit	<input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans)	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 422 Appeal 28 USC 158	FORFEITURE/PENALTY	PROPERTY RIGHTS
<input type="checkbox"/> 490 Cable/Sat TV	<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 350 Motor Vehicle Product Liability	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 610 Agriculture	<input type="checkbox"/> 820 Copyrights
<input type="checkbox"/> 810 Selective Service	<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	CIVIL RIGHTS	<input type="checkbox"/> 620 Other Food & Drug	<input type="checkbox"/> 830 Patent
<input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange	<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<input type="checkbox"/> 840 Trademark
<input type="checkbox"/> 875 Customer Challenge 12 USC 3410	<input type="checkbox"/> 195 Contract Product Liability	<input type="checkbox"/> 362 Personal Injury-Med Malpractice	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 630 Liquor Laws	SOCIAL SECURITY
<input type="checkbox"/> 890 Other Statutory Actions	<input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 365 Personal Injury-Product Liability	<input type="checkbox"/> 443 Housing/Accommodations	<input type="checkbox"/> 640 R.R. & Truck	<input type="checkbox"/> 861 HIA (1395ff)
<input type="checkbox"/> 891 Agricultural Act	REAL PROPERTY	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 444 Welfare	<input type="checkbox"/> 650 Airline Regs	<input type="checkbox"/> 862 Black Lung (923)
<input type="checkbox"/> 892 Economic Stabilization Act	<input type="checkbox"/> 210 Land Condemnation	IMMIGRATION	<input type="checkbox"/> 445 American with Disabilities - Employment	<input type="checkbox"/> 660 Occupational Safety /Health	<input type="checkbox"/> 863 DIWC/DIWW (405(g))
<input type="checkbox"/> 893 Environmental Matters	<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 462 Naturalization Application	<input type="checkbox"/> 446 American with Disabilities - Other	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 864 SSID Title XVI
<input type="checkbox"/> 894 Energy Allocation Act	<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 463 Habeas Corpus-Alien Detainee	<input type="checkbox"/> 440 Other Civil Rights		<input type="checkbox"/> 865 RSI (405(g))
<input type="checkbox"/> 895 Freedom of Info. Act	<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 465 Other Immigration Actions			FEDERAL TAX SUITS
<input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice	<input type="checkbox"/> 245 Tort Product Liability				<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)
<input type="checkbox"/> 950 Constitutionality of State Statutes	<input type="checkbox"/> 290 All Other Real Property				<input type="checkbox"/> 871 IRS-Third Party 26 USC 7609

SACV12 1708

FOR OFFICE USE ONLY: Case Number: _____

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☒ No ☐ Yes
 If yes, list case number(s): _____

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☐ No ☒ Yes
 If yes, list case number(s): 12-cv-01623

Civil cases are deemed related if a previously filed case and the present case:

- (Check all boxes that apply) ☒ A. Arise from the same or closely related transactions, happenings, or events; or
☒ B. Call for determination of the same or substantially related or similar questions of law and fact; or
☒ C. For other reasons would entail substantial duplication of labor if heard by different judges; or
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

- (a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.
☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	New Haven County, Connecticut

- (b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange County	

- (c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.
Note: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange County	

* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER):  Date October 3, 2012

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))